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C O N F I D E N T I A L SECTION 01 OF 02 LAGOS 001512

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TRANSPORTATION FOR FAA; DAKAR PLEASE PASS TO FAA REP ED JONES; ROME PLEASE PASS TO TSA REP JOHN HALINSKI

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TAGS: [FAIR](#) [EINV](#) [PREL](#) [NI](#)

SUBJECT: VIRGIN NIGERIA RILES DOMESTIC COMPETITORS

REF: A. LAGOS 1450

[1](#)B. LAGOS 1415

Classified By: Consul General Brian L. Browne for reasons 1.4 (D).

[1](#)1. (SBU) Summary. Many Nigerian airline executives continue to view Virgin Nigeria (VN) as a foreign carrier, which in its bid to look Nigerian, receives far too much government support. The other airlines contend that this alleged preferential treatment has made it difficult for them to compete on an equal basis against VN. Notwithstanding VN's push to fly carriers to the U.S. (reftel), both VN representatives and aviation experts say that VN can be profitable by operating in Nigeria alone. End Summary.

Nigerian Airline Industry Says U.S. Support
for VN Would Have Negative Impact

[1](#)2. (SBU) Landover Company Managing Director Edward Boyo told us the Government of Nigeria's (GON) selection of VN as its national carrier has forced complex changes on the Nigerian aviation industry. He stated existing Nigerian airline companies feel betrayed by the GON's decision to unilaterally back VN without consulting them, and worse without providing them commensurate levels of government support. (Note: Landover is an aviation services and logistics company with close ties to Overland Airways. End Note.)

[1](#)3. (C) Several airline executives we talked to groused that the USG should not approve VN's application for a direct U.S. route, saying other Nigerian airlines would see it as unfair. Having attended the 11th Aviation and Allied Business Conference in Addis Ababa, the largest gathering of aviation professionals in Africa, Boyo stated other airline executives in attendance were "intimidated" by VN's presence in West Africa and did not consider VN an indigenous "African" company. Richard Aisuebeogun, Overland Airways Chief Operating Officer, believes VN has a "tough sell" in changing the Nigerian aviation community's perception that VN is not an indigenous company.

VN Trying to Improve Its Local Image

[1](#)4. (SBU) Aisuebeogun stated VN was trying to dispel the perception that it was a foreign entity through its public relations campaigns and by employing more Nigerians. VN has graduated 23 cabin crew members from flight training, hired over 150 Nigerian staff, and was expected to employ 120 Nigerian pilots by June 2006, company representatives have said. VN CEO Simon Harford has forecasted an additional 15,000 total jobs would be created directly and indirectly from VN's five-year company expansion plan, and they hoped to have 1400 full-time employees by the end of December 2005. A non-voting VN executive board member said the company also planned to update its online advanced booking reservations system and introduce a bonus miles/reward program soon. Aviation experts and VN representatives told us VN's operations in Nigeria were efficiently profitable to sustain the airline. While direct flights to the U.S. remained a company goal, its operations would not dip into the red if it could not achieve this goal.

Contract with Boeing in Bid for US Routes

[1](#)5. (SBU) In pushing for their Department of Transportation (DOT) application to fly to the U.S., VN said it was encouraging U.S. airlines to enter the Nigerian market. The VN non-voting executive board member told us "Nigeria does not want to see a monopolistic situation" and that "Continental should aggressively bring back their application" to spur competition (reftel). He stated VN had finalized a contract to lease five Boeing 737 carriers by mid-October rather than go with Airbus because company executives believed leasing U.S.-made aircraft would better

the chances of DOT approving the application for a direct route to the United States.

16. (SBU) Comment. VN continues to campaign hard to convince everyone that they are an "indigenous" carrier. Its competitors have not gone for this bait. The other airline companies see VN as a common threat, but have no real idea how to challenge VN's aggressive entry into the market. So long as VN continues to receive strong GON support while other airline companies do not, VN promises to become, if it is not so already, the preeminent player in terms of service, aviation technology, marketing, availability of routes, and safety and security in the Nigerian aviation market. End Comment.
BROWNE